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Macroeconomic policy questions: external debt and development: towards a durable solution to the debt problems of developing countries

Sudan:* draft resolution

External debt crisis and development

The General Assembly,

Recalling its resolutions 58/203 of 23 December 2003, 59/223 of 22 December 2004, 60/187 of 22 December 2005, 61/188 of 20 December 2006, 62/186 of 19 December 2007 and 63/206 of 19 December 2008 on external debt crisis and development,

Recalling the 2009 Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development,[1]

Recalling also the International Conference on Financing for Development and its outcome,[2] and the 2008 Doha Declaration on Financing for Development,[3]

Recalling further the United Nations Millennium Declaration adopted on 8 September 2000,[4]

Recalling the 2005 World Summit Outcome,[5]

Recalling also its resolution 60/265 of 30 June 2006 on the follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and other internationally agreed development goals,

* On behalf of the Member States of the United Nations that are members of the Group of 77 and China.

[1] See resolution 63/303, annex.

[2] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[3] See resolution 63/239.

[4] See resolution 55/2.

[5] See resolution 60/1.

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Recalling further its resolution 57/270 B of 23 June 2003,

Expressing concern that the negative impact of the world financial and economic crisis on development is still unfolding and is gravely threatening the debt sustainability in developing countries, inter alia, through its impact on the real economy, and the need to increase borrowing in order to mitigate the negative impacts of the crisis,

Expressing concern also that temporary standstills, debt relief and debt restructuring have not been given an adequate role as tools of debt crisis prevention and management to mitigate the impact of the global financial crisis in developing countries,

Expressing concern further that the amount of resources allocated to low-income countries, as part of the global response to the crisis, is insufficient for them to respond to their external debt problems derived from the crisis,

Reaffirming that each country must take primary responsibility for its own development and that the role of national policies and development strategies, including in the area of debt management, cannot be overemphasized in the achievement of sustainable development, and recognizing that national efforts should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and ensuring respect for national ownership, strategies and sovereignty,

Emphasizing that debt sustainability is essential for underpinning growth, and underlining the importance of debt sustainability and effective debt management to the efforts to achieve national development goals, including the Millennium Development Goals,

Noting the progress made under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative initiatives, expressing concern that fourteen out of forty eligible heavily indebted poor countries have still not reached the completion point under the Initiative, and expressing deep concern over the fact that some of the conditionalities for access, as well as policy conditionalities to some participating countries, endanger the ability of these countries to increase their investments in health, education and other social services consistent with national priorities, development plans and internationally agreed development goals, including the Millennium Development Goals,

Stressing the importance of addressing the challenges of those heavily indebted poor countries that are facing difficulties in reaching the completion point under the Heavily Indebted Poor Countries Initiative, and expressing concern that some heavily indebted poor countries continue to face substantial debt burdens and need to avoid rebuilding unsustainable debt burdens after reaching the completion point under the Initiative and that several remain classified as being at high risk of debt distress even after completing the Initiative,

Expressing concern that a number of heavily indebted non-Heavily Indebted Poor Countries have been unable to access financing from international financial institutions on concessionary terms for the provision of liquidity and crisis management, leading to a worsening of their unsustainable debt burdens,

Expressing concern also over the difficulties faced by developing countries in finding a durable solution to their external debt problems, and the fact that they are being adversely impacted by the world financial and economic crisis, which is reversing their development gains,

Convinced that enhanced market access for goods and services of export interest to developing countries contributes significantly to debt sustainability in those countries,

1. *Takes note* of the report of the Secretary-General;[6]

2. *Emphasizes* the special importance of a timely, effective, comprehensive and durable and development-oriented solution to the debt problems of developing countries;

3. *Recognizes* that the enormity and the multidimensional nature of the global economic and financial crisis and the significant risks it poses to the debt sustainability of developing and transition economies, and emphasizes the need for coordinated policies aimed at fostering debt financing, debt relief and debt restructuring with the provision of additional resources to developing countries and countries with economies in transition without conditionalities, since the balance between debt financing, temporary standstills, restructuring and relief can contribute to economic growth and development;

4. *Also notes* that the additional fiscal pressure placed on low- and middle-income developing countries that are not included in existing debt relief initiatives imposes constraints on their capacity to mobilize the resources needed to achieve the internationally agreed development goals, including the Millennium Development Goals;

5. *Stresses* the need to assist developing countries to respond to the crisis without requiring them to incur unsustainable levels of debt and without increasing the risk of relapsing into another debt crisis, calls for the provision of concessional and grant-based financing to developing countries to respond to the crisis, and encourages developed countries to allocate new and additional resources to assist developing countries in coping with the consequences of the crisis;

6. *Notes* the International Monetary Fund's provision of interest relief to low-income countries in the form of zero payments for concessional lending facilities until the end of 2011, and further calls for a temporary debt moratorium on official debt of low-income countries until 2011 to provide them with much needed fiscal space to respond to the crisis;

7. *Notes with concern* that the International Monetary Fund continues to prescribe procyclical and conditionality-based programmes, as well as overly optimistic growth forecasts, which will further compound the impact of the world financial and economic crisis on debt sustainability, and emphasizes that it is imperative to undertake, as a matter of priority, a comprehensive and fast-tracked reform of the International Monetary Fund;

8. *Stresses* the importance of assisting developing countries in managing their borrowing, upon request, and in avoiding a build-up of unsustainable debt,

[6] A/64/167.

including through capacity-building in the area of debt management and the use of grants and concessional loans;

9. *Calls for* an urgent review of the joint International Monetary Fund/World Bank Debt Sustainability Framework, in order to enhance its transparency and objectivity, and expresses concern that developing countries were not consulted in the recent review of the joint International Monetary Fund/World Bank Debt Sustainability Framework, and, in this regard, calls for the full engagement of developing countries in an open and transparent manner in future reviews;

10. *Notes* the importance of responsible lending and borrowing, and emphasizes that creditors and debtors must share responsibility for preventing unsustainable debt situations;

11. *Calls for* the provision of neutral, open and transparent assistance, including technical assistance, upon request, to enhance debt management, negotiations and renegotiation capacities, including tackling external debt litigation and debt data reconciliation between creditors and debtors, in order to achieve and maintain debt sustainability;

12. *Reiterates* that debt sustainability depends on a confluence of many factors at the international and national levels, emphasizes that country-specific circumstances and the impact of external shocks should continue to be taken into account in debt sustainability analyses, underscores the fact that no single indicator should be used to make definitive judgements about debt sustainability, and, in this regard, while acknowledging the need to use transparent and comparable indicators, invites the International Monetary Fund and the World Bank, in their assessment of debt sustainability, to take into account fundamental changes caused by, inter alia, natural disasters, conflicts and changes in global growth prospects or in the terms of trade, especially for commodity-dependent developing countries, as well as by the impact of developments in financial markets and weaknesses in the international monetary and financial system, and to continue to provide information on this issue using existing cooperation forums, including those involving Member States;

13. *Underlines* the facts that the long-term sustainability of debt depends, inter alia, on the economic growth, mobilization of domestic resources and export prospects of debtor countries and, hence, on the creation of an enabling international environment conducive to development, progress in following sound macroeconomic policies, transparent and effective regulatory frameworks and success in overcoming structural development problems, that systemic issues impact on development in countries and reverse gains, and that subsequent reform of the international financial system must be conducive to fostering an inclusive financial and monetary system;

14. *Notes with concern* that, in spite of the progress achieved, some countries that have reached the completion point of the Heavily Indebted Poor Countries Initiative are still classified as being at high risk of debt distress, calls for the full and timely implementation of the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative and for continued support to countries to complete the Heavily Indebted Poor Countries Initiative process, and encourages progress to complete the debt relief process;

15. *Urges* donors to ensure that their commitments to the Multilateral Debt Relief Initiative and the Heavily Indebted Poor Countries Initiative are additional to

existing official development assistance commitments, and underlines that full compensation by donors on the basis of fair burden-sharing for the Multilateral Debt Relief Initiative costs of relevant financial institutions is essential;

16. *Encourages* further improving the mutual exchange of information, on a voluntary basis, on borrowing and lending among all creditors and borrowers;

17. *Notes* the creation of new International Monetary Fund lending facilities in response to the crisis, calls for the ongoing review of the new lending facilities, and calls upon the multilateral development banks to move forward on flexible, concessional, fast-disbursing and front-loaded assistance designed to substantially and quickly assist developing countries facing financing gaps;

18. *Calls for* the consideration of additional measures and initiatives aimed at ensuring long-term debt sustainability through increased grant-based and other forms of concessionary financing, cancellation of 100 per cent of the eligible official multilateral and bilateral debt of heavily indebted poor countries and, where appropriate, and on a case-by-case basis, significant debt relief or restructuring for developing countries with an unsustainable debt burden that are not part of the Heavily Indebted Poor Countries Initiative, as well as the exploration of mechanisms to comprehensively address the debt problems of those countries;

19. *Encourages* the Paris Club, in dealing with the debt of low- and middle-income debtor countries that are not part of the Heavily Indebted Poor Countries Initiative to take into account their medium-term debt sustainability in addition to their financing gaps;

20. *Stresses* the need to significantly address the debt problems of middle-income developing countries, and in this regard stresses the importance of the Evian approach of the Paris Club as a practical means to address this issue, and notes that the current debt sustainability framework used to analyse the debt situation of middle-income countries focuses mostly on medium-term debt dynamics;

21. *Notes* the changing composition of sovereign debt that has shifted increasingly from external public debt to domestic debt to pay off foreign currency liabilities, notes that the levels of domestic debt could create other challenges for macroeconomic management and public debt sustainability, emphasizes the importance of safe structures of debt, and calls for reinforcing the capacity to manage the new levels of domestic debt in order to maintain public debt sustainability overall;

22. *Notes* that financial reform policies and the deepening of financial markets have enhanced the access of private borrowers to international capital markets, also notes that the share of total external long-term debt owed by private borrowers increased substantially in recent years, constituting half of private borrowing, further notes that corporate debt makes up the majority of short-term external debt of developing countries, and calls for the necessary policy space in developing countries in addressing corporate insolvencies arising from the economic and financial crisis;

23. *Calls for* the enhancement of existing mechanisms for debt crisis prevention and management, including through cooperation with the private sector;

24. *Urges* the continued monitoring by the United Nations and international financial institutions of global financial flows and their implications for restoring sustained economic growth, sustainable development and debt sustainability;

25. *Invites* creditors and debtors to further explore, where appropriate, and on a mutually agreed basis, the use of innovative mechanisms such as debt swaps, including debt for equity in Millennium Development Goals projects;

26. *Stresses* the need to continue to take effective measures to address the debt problems of the least developed countries, including through cancellation of the multilateral and bilateral debt owed by least developed countries to creditors, both public and private;

27. *Invites* donor countries, taking into account country-specific debt sustainability analyses, to continue their efforts to increase bilateral grants to developing countries, which could contribute to debt sustainability in the medium to long term, and recognizes the need for countries to be able to invest, inter alia, in health and education while maintaining debt sustainability;

28. *Requests* the Secretary-General to undertake an examination and present concrete proposals to reform the monitoring and oversight mechanisms of the credit rating agencies, including their methodology, with a view to improving transparency and accountability and addressing problems of conflict of interest with the goal of producing objective assessment of countries and corporations;

29. *Calls for* an enhanced approach to sovereign debt problems, and, in that regard, decides to set up a United Nations committee to examine options for a debt restructuring and resolution mechanism within the United Nations, with a view to guaranteeing a voice for debtors, equivalent treatment of all creditors, just treatment of debtors and creditors, and legal predictability;

30. *Calls upon* the international community to provide prompt assistance and flexibility, and stresses the need to continue those efforts in helping post-conflict developing countries, especially those that are heavily indebted and poor, to achieve initial reconstruction for economic and social development;

31. *Calls upon* creditors to provide flexibility to developing countries affected by natural disasters so as to allow them to address their debt problems;

32. *Welcomes* the efforts of and calls upon the international community to support institutional capacity-building in developing countries for the management of financial assets and liabilities and to enhance sustainable debt management as an integral part of national development strategies;

33. *Invites* the United Nations Conference on Trade and Development, the International Monetary Fund and the World Bank, in cooperation with the regional commissions, development banks and other relevant multilateral financial institutions and stakeholders, to intensify their cooperation in respect of capacity-building activities in developing countries in the area of debt management and debt sustainability;

34. *Invites* the international community, including the United Nations system, to increase financial support in respect of capacity-building activities for developing countries in the area of debt management and debt sustainability;

35. *Calls upon* all Member States and the United Nations system, and invites the Bretton Woods institutions and the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those related to the question of the external debt problems of developing countries;

36. *Requests* the Secretary-General to submit to the General Assembly at its sixty-fifth session a report on the implementation of the present resolution and to include in that report a comprehensive and substantive analysis of the external debt situation and debt-servicing problems of developing countries and a review of debt management capacity-building efforts, particularly those of the United Nations system;

37. *Decides* to include in the provisional agenda of its sixty-fifth session, under the item entitled "Macroeconomic policy questions", a sub-item entitled "External debt crisis and development".